



MEMORANDUM

TO: Health Care Commission
Duane Goossen, Chair
Connie Hafenstine
Sandy Praeger
Nancy Ruoff
John Staton

FROM: Doug Farmer

DATE: March 23, 2009

SUBJECT: Salary Plan Tiers

The Employee Advisory Committee asked staff to review the current distribution of employees among the salary tiers as well as the salary amounts of the tiers. This has traditionally been reviewed on an annual basis for possible updates. Changes to the salary levels of the tiers have generally been done every two to three years. It has been at least two years since the tiers have been updated. The plan has tried to maintain a bell curve with the majority of members in the middle and equal numbers in the top and bottom tiers. The following table shows the current distribution of employees in the current salary tiers:

Tier	Salary Level	Number of Employees
1	Less than \$27,000	5,294
2	\$27,000 to \$47,000	17,824
3	More than \$47,000	11,736

To bring the current distribution back into a bell curve, an adjustment to the tiers would be required. Staff estimates that making this adjustment will cost the State an additional \$2.35 million dollars in plan year 2010 as more employees would be shifted to a lower tier. The bell curve strategy would result in the following number of employees in each salary tier:

Tier	Salary Level	Number of Employees
1	Less than \$30,000	8,496
2	\$30,000 to \$50,000	16,756
3	More than \$50,000	9,602

Estimated Cost Per Person Per Month - \$5.58

As an alternative, we also ran numbers for a five percent downward shift. The cost to the State for a five (5) percent shift is \$255,000. This change would result in the following number of employees in each salary tier:

Tier	Salary Level	Number of Employees
1	Less than \$28,000	5,932
2	\$28,000 to \$48,000	18,000
3	More than \$48,000	10,922

Estimated Cost Per Person Per Month - \$0.54

The Employee Advisory Committee (EAC) was provided this information at their March 9, 2009, meeting. The EAC recommended that the Health Care Commission adopt the five (5) percent adjustment to the salary tiers.

DISCUSSION:

Is the Health Care Commission interested in updating the salary tiers for 2010?